

OUR INTERNATIONAL RELATIONS AND RUSSIA'S LESSON TO US

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THIS address was delivered by Mr. Fred I. Kent, Vice-President of the Bankers Trust Company of New York, before the Convention of the American Bankers Association in Washington on October 20, 1920.

Mr. Kent was director of Foreign Exchange for the Federal Reserve Board during the war and he spent last year on the Continent, making his headquarters in Paris and devoting much of his time to work with the Reparation Commission.

We have republished this address in this form in the belief that it is timely and that it would prove interesting to our friends.

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FOOD and protection from the elements are all that man requires to exist, but to fulfill his destiny and grow in mentality through the generations human intercourse is necessary. Even if without ideals, human beings could not exist in present numbers if animal instincts represented their highest mental development. As populations have grown in density, it has taken greater and greater ingenuity and the further harnessing of the forces of nature to enable people to live in comfort and happiness. In every human group from the family through the community, the city, state or country, the master minds control either directly or indirectly. Unfortunately a master human mind can carry forces of evil even as those of lesser power, but evil forces are elements of weakness, and if not controlled will sooner or later tear down and destroy the power of any mind. As a family is affected by the preponderance of good or evil forces exercised within it, so is the community influenced as the trend of such forces is stronger for good or for evil among the families which constitute it.

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It is conceivable that if every man could exercise his will without affecting in any particular the will of any other human being, no would-be act of anyone would be committed which could be classed as wrong. So interwoven, however, are the lives of human beings through the families with their growing

children and their communities that such a condition is impossible, and no man can live his life fairly to the world without sacrifice. Man-made laws are only necessary because of the selfishness and ignorance of humanity. No man can conscientiously claim the right of entire freedom to exercise his will without admitting that every other human being has the same right. Every man making such an admission binds himself to respect the rights of others, and if he does not make such admission it is positive evidence that the good of humanity does not concern him, but that it is only his own private will which he wishes to exercise, even though it may be at the expense of others. Properly man-made laws represent the expressions of opinion of the people who enact them for their own guidance as to wherein the desires of certain individuals which may affect the rights of others must be controlled.

Peoples who are honest in their national life endeavor to choose for their leaders those whom they think will so guide their affairs of state as to give them the greatest happiness and be the fairest to all concerned. The least intelligent portion of a population is more easily led through appeals to the passions than through reason. Such appeals are essentially dishonest, as the force which is being striven for is not of right, but of the power of numbers. To arouse the passions of a people requires neither intelligence nor ability, and cannot carry with it honesty or a proper sense of responsibility. It is the means used by the cheap politician, the cheap thinker and the vicious to obtain their desires. Such methods often win, but victories under them are short-lived, as they are in-

evitably followed by the suffering of the people.

It is manifestly impossible for every individual to have a direct voice in passing upon the regulations of the government to which he submits as a citizen. Density of population would prohibit town-meeting government, even if it were the most effective, which it is not. In the case of such government, however, individuals would have to be appointed to carry out the will of the mob. Representatives of a democratic people, therefore, selected in some manner by the people, whether intelligently or otherwise, will determine government. People as such are impotent as masters of their own government until abuses of those in power have been carried to such extremes that general suffering ensues, because what is everybody's business is nobody's business, and so two or more parties can be found in nearly every group of democratic people, the leaders of which take it upon themselves to criticize the acts and principles of their opponents. This when done honestly often results in a change of some policy bad for a people before it could be otherwise brought about, and before it has led to general suffering.

The best interests of a people demand that its government regulate and not operate. Even though the world's war has proved this beyond any manner of doubt, such is the inconsistency of human nature that we are confronted today with doctrines aimed to cure too much government with more government, doctrines which if allowed to be exercised would result in an autocracy second in viciousness to none which has existed since the beginning of the world's history.

In the Russia of today we have an example of this situation, that is an open book for the world to read. In time the lesson from it will open the eyes of the world, even though at the moment there are many who refuse to accept the facts as they exist, because they consider it to their personal interest not to do so. Rule in Russia at the moment is falsely dignified by calling it an experiment in government. It does not represent to the slightest degree the voice of the people or of any portion of the people, such as labor. It is a mere tyranny which has existed in the world before in comparatively smaller ways at innumerable times during its history, and is being carried on solely for the benefit of those in control through terrorism and without the slightest regard to any other human being or group of human beings. Its existence over such a long period has only been possible because of the vast amount of loot in all forms of wealth which those in control were unfortunately able to steal at its inception. This wealth made it possible for these autocrats to hire the master minds of the underworld to become their agents in every civilized country. By this means they have been able to spread a false propaganda throughout the world based on a pretended idealism, which is not being striven for in Russia by intention nor desire, but that has even so been wonderfully effective in fooling multitudes.

With the vast wealth of the Russian government which was taken over without its liabilities, the new Czars came into possession of the machinery for manufacturing paper money. While decrying the use of capital and money in any form for purposes of propaganda,

they ran the printing presses for Russian currency at the highest speed within their power, and flooded the world with promises to pay which were never intended to be kept. Knowing that currency issued over their own signatures would be accepted by no one, they in effect forged the signatures of the government of the former Czar, which they had overthrown and repudiated. Labor in many countries of the world was induced to buy these false promises as an investment, attention being called to the low price at which they could be had in relation to the former value of the Rouble. By this means a further immense fund was built up in many countries of the world, which has been used to finance those who are willing to sell their souls and carry on a propaganda which, if successful, is certain to set the world back many centuries, to say nothing of the incalculable human misery which is bound to follow, as the condition in Russia today conclusively proves.

The poor deluded people who purchased these false promises were not able to see that the money which they gave for them was going to be used in such manner that the needed production of the world would be so curtailed that the difficulties of living would become almost insurmountable. Neither could they seem to see how dishonest, inconsistent and impossible was a human system which while encouraging investment in order to obtain money was at the same time denying the right of investment to any and all. The so-called Soviet Government ever since its inception has been ready to make any promise to other peoples where it could obtain a concession in return, and with no intention whatsoever of living up to any promise given

longer than was necessary to receive the benefits of the concessions.

The Soviet Government has never been honest with itself nor with any peoples of the world since they stole the possessions of the Russian people from their public and private stores, from their banks, their warehouses and their homes.

Unfortunately for the world, many so-called intellectuals in every country, a body of people which is composed of men and women who have real gifts in science, art and literature, are adding the weight of their prestige to the false mouthings of the vicious. The attitude of those intellectuals who follow the teachings of the dishonest propagandist is found upon analysis not to be as surprising as it might seem. Their livelihood is based upon gifts which are exercised as a tax upon business, which has a tendency to set their minds in opposition to it. With a life work not requiring practical business knowledge and practical understanding of the laws of economics, they can easily be fooled by logic based on false premises. If a business man should presume to criticize them in any of their specialized fields of activity, they would think that he was crazy in claiming to be a critic of authority when he was a mere amateur in the propositions under consideration. Business men look upon the intellectuals, who with a superficial knowledge of economics and industry would instruct them how to act, in exactly the same way.

The honesty of purpose among many such people is beyond question, but they have not the means, because of their method of life, to be able to differentiate between fundamentals and false premises in practical things. They do not appreciate the fact that only a successful business world makes it possible for them to exist in their

callings. If it were not for the savings of business, every man would be obliged to give his whole time to the production of the necessities of life.

The expenses of scientific discovery are tremendous, as to the cost of the successful experiments must be added those of the innumerable failures. Such expenses can only be met because the business of the world is carried on in such manner that there is something left over after payment is made for food, clothing and shelter that can go toward the development of science. The same thing is true as to art and literature. A starving man must have something to eat before he can enjoy a wonderful painting of a good dinner or a well-written book of any kind. That the lack of practical business understanding is common to intellectuals is well known to the crooks of the world, and they make the most of it. On the lists of names which have been taken from the dishonest groups of men who make their livelihood through floating valueless securities are those of doctors, preachers, artists, professors, teachers, writers, etc. The fact that people of this character are constantly investing in false securities naturally adds to their feeling of criticism toward the business world, even though the putting out of such issues has absolutely nothing to do with business any more than the operations of burglars or hold-up men.

Another class which preys upon the intellectuals is that of the vicious radicals who, lacking responsibility as to their statements, address gatherings of intellectuals and carry them along with clever logic based on false statements of fundamentals, or they fill magazines and pamphlets with pretty word pictures so constructed as to appeal to the minds of the impracticable.

Again we find ministers conscientiously but thoughtlessly inviting men and women without integrity or responsibility to explain their perverted theories to their congregations on the plea of broadening their education. It is just as much the duty of a minister when inviting speakers to address his men's meetings and general gatherings to make certain of their character and integrity of purpose as it would be to shut a man-eating tiger out of his Sunday School. It is as bad for the world to poison men's minds as to destroy their bodies, and when a minister is himself willing to play upon the passions of his people for the purpose of making a name for himself, he stoops to the class of the thrower of bombs. In fact he may do more harm than the anarchist, for the explosion of every murderous bomb shocks many careless thinkers into a recognition of the evil of their attitudes.

In order that the full powers of those gifted in science, art and literature may be brought out, it is necessary that they have both the moral and financial support of the business world. It is only because men of business appreciate their work, and its value, that those who have such gifts are able to succeed. It is all the more necessary, therefore, that the intellectuals should endeavor to co-operate with men of business instead of siding against them. The part which the real intellectuals take in the world's progress is second to none, and they carry with them the respect of all when the good which they do is not dissipated through association with the ignorant and vicious.

The word "Red" has been dangled about the world in such manner as to lead cowards to think that they can pose as heroes by calling themselves "Reds." These throwers of bombs and would-be destroy-

ers of the world's peace, and their followers, are unfortunately color blind. They may see red, but they are not red, they are yellow.

A great deal is heard these days of internationalists, which without analysis is a fair catchword. As far as the world has been able to determine at the moment, however, their principles seem to be based on hating your neighbor, but loving your unseen brothers across the sea. It would seem as though it was considered safe to love only those who are far enough away so that it cannot become embarrassing. It may be that as the means of communication between different parts of the world become closer and closer, as invention proceeds, that the internationalist of the day may find it necessary to become an intercosmosapalist, in order to avoid local entanglements.

The life of man is so constituted that he can only become a true citizen of the world if he first protects his family, then his community, and then his state and country. There is no such thing as allegiance to a world without allegiance to one's country. The true selfishness, begotten by love and not desire, gradually extends as man's mind and heart grow from his family through all other community organizations of man's building until ultimately he can see with great clearness that the good of the whole world is desirable for the benefit of his own child. We in the United States of America are just beginning to find this out, but it means no lessening of our love for our family or our neighbor or our country if we would strive to benefit all mankind. In fact success in such work can only follow through love of country, such strong love of country that its position

before the world as to honor and integrity and right dealing is jealously guarded with man's every force, be it great or small. As individuals few men can stand before the world with any appreciable force for good, whereas the combined force of many men, through love of their own country as exercised through their country's representatives in government and commerce, may have a vast influence for good on the lives of those of other nations.

In industry the same principles follow. The power of any industrial organization increases with the loyalty of its employes, whether they be in official positions or not. The savings of many people are brought together and made to work for them by investment in industrial undertakings. On such investments a double return is received, one through the payment of dividends, and the other through increased production of things which they may require or desire, or that can be exchanged for such things with other countries. The holders of such interests, knowing that the safety of their investments depends upon the honesty and ability of those to whom they are entrusted, endeavor to select for the officers of their companies those who they believe will make good. As an industry develops men are continually rising from the ranks to official positions as their ability makes possible. There is no doubt but that here and there mistakes are made and sometimes favoritism is shown, but this is something that will be true in every human organization as long as the heart and mind of man are constituted as at present. Where the stockholder has his own interests to protect such a development is less apt to happen than in any

other form of organization that society has yet been able to discover.

The railroads of the United States evidence clearly this situation. The proportion of high-salaried men who have risen from the ranks in every railroad in the country is amazing. The same thing is true in our banking and financial institutions, and the men in control today are, with few exceptions, those who have started in mediocre positions. In every industrial organization there must be men to plan and guide it. There must be men who buy raw material, if it is a manufacturing organization, and men who sell the finished product. There must be those who plan to make both sides balance with a proper profit in between. Different kinds of ability are required to fill different kinds of positions, and human judgment is applied with all the success of which it is capable to put the right men in the right places. The desire of the officials of a company to make good to their stockholders is the strongest incentive for the selection of the most capable men for their assistants that is humanly possible.

Under the Russian propaganda workmen are encouraged to take over the plants in which they work and run them themselves. Aside from the question of the right and wrong of such action, about which no one really has any doubt, comes that of efficiency and of public benefit, for the public is supposed to be considered in the development of such a situation. All of the various activities of an industrial organization so taken over must be fulfilled, and must be carried out by men, and the only difference in the present system and that advocated by the Third International lies in the question as to

how such men are to be selected. Under the present system promotions are based upon the ability to accomplish work to be done, in so far as human judgment is capable of determining. Under the proposed system such positions are to be filled theoretically by the vote of the workers, but actually, as has been proven in Russia, by those who have failed in practical things and whose only success lies in ability and willingness to mislead the people through their passions.

The complete breakdown of industry in Russia would seem all that is necessary to show the fallacy of the plan of the confiscation of property with the idea that it could be managed by the confiscators for the greater public good. That with all their pretended idealistic theories the advocates of this policy are not honest in their purpose is evident to all. Do they wish to take over land as such? Not at all. What they wish is to take the land upon which other human beings have spent years of hard study and labor in bringing to a state of effectiveness. Do they wish to build new factories which they can control themselves in any way that they may desire? No. They only wish to take over factories which represent years of hard work as embodied in the savings of the stockholders and the energy of the managements. With all of their pretended criticism of capital, it is actually capital which they wish to obtain, and not through any orderly process or on any basis of right, but merely through the power of numbers.

There is no question but that as the world develops capital and labor should be brought closer and closer together, and that the labor in an industry as it becomes competent should have a greater representation in the things which affect itself. The

very interests of capital will demand it as time goes on, and thousands of industrial organizations are constantly aiming to work closer and closer to their employees. One of the greatest difficulties to success in such attempts lies in the radical agitator, who considers a peacefully-inclined and happy workman a menace to his own interests.

Upon this whole situation depend the future foreign relations of the United States. For instance, in Italy we find through the teachings from Russia that workmen have confiscated plants on no basis of right, but merely because their government has been temporarily cowed sufficiently to prevent it from protecting the owners. While this condition exists, even though Italy has vast industries run by men of ability and integrity to which credit could safely be extended by peoples in other countries, at the moment it is neither safe nor desirable to advance credits to this country. If a group of workmen refuse to recognize the rights of their neighbors who are stockholders in an industrial plant, why should anyone expect them to recognize the rights of foreign creditors who might advance them raw material. Their very actions state clearly that they are either dishonest or do not believe in recognizing the rights of creditors, and in either case they have no ground upon which to make a claim for credit. As soon as the misled workmen in Italy see their fault, and the government again sees the necessity of protecting those who have built up Italy's industries, Italy will receive the help which her naturally industrious citizens have a right to expect. This whole unfortunate development in Italy is the outgrowth of the vicious propaganda of Pandoric Russia.

We must expect that until the Russian

tyranny has been destroyed every radical agitator who is being supported by its propaganda and its funds will continue to be able to control large masses of men. When, however, the people in Russia control, and a real government is set up, the forces for evil now rampant in the world will lose their power.

The foreign relations of a country are political and commercial. Politically we have no real position throughout the world that is not due to our great commercial power. We have never taken our intercourse with other nations seriously enough, and we allow domestic politics to control foreign policies. This is perhaps natural in so young a nation, but it is none the less necessary that we outgrow it. Our representatives to other nations of the world should be men trained in practical history and business theory. They should be men of integrity and understanding, and they should be so separated from domestic politics that their only fear of displacement would lie in the exercise of bad judgment on their own part. Their positions should be so assured that they would feel that any attempt to manipulate foreign policies for the benefit of domestic politicians would react against them. The United States of America should have a foreign office built up for the good of the country and the world, and not for that of any political party.

Our present system under which our representatives in foreign countries are so often chosen for the purpose of paying off political debts in large measure has prevented the United States from being able to carry out the good that the naturally fine ideals of its people would otherwise accomplish.

Commerce is so influenced for good or

bad because of our political relations that it would seem in order for the American Bankers Association, the United States Chamber of Commerce, the National Foreign Trade Council, and possibly other manufacturing and commercial associations, to appoint a joint committee to prepare a system for selection and training of our diplomatic force that could be recommended unanimously by all to Congress for enactment into law.

Commercially the United States is in a most trying position in its relations with the other countries of the world. Our goods are demanded and needed by those who cannot pay, and our requirements can only be filled by those countries which do not need enough from us in return to cover their cost. During the war we increased our capacity to produce in many lines, for which we have no sufficient output at present. Government regulation made necessary during the war has disturbed all the natural currents of the world's trade, and destruction in the battle-scarred countries has reduced production in them, and at the same time increased their requirements. These conditions are represented in the rates for foreign exchange, which are the barometers of commerce. It is just as futile to endeavor to restore trade to a normal condition by trying to fix or stabilize exchange rates as it is to heat a house by putting a candle under the bulb of a thermometer.

Theorists have stated that the inflation in European currencies has been the sole cause of the depreciation of the foreign exchanges. While such inflation has had its influence upon the exchanges, and will continue to do so, yet another abnormal condition, which has so far shown

too little improvement, has had much to do with the exchange rates, and has played its part in further increasing the inflation which existed at the time of the armistice. This condition is the absolute need in certain European countries for a greater import for consumption than they have ability to produce for export in equivalent value. Under such a condition all questions of price are subordinated to necessity. Such price changes in commodities as may be caused by inflation, therefore, do not cover the whole problem.

The ideal way to correct this situation would be to have the populations in every European country import only necessities, and endeavor through their own production to reduce the quantity of such necessities to a minimum, and at the same time increase their exports. While this would have a tendency to temporarily slow up the world's trade, yet when it had once recovered it would be in a far healthier condition, and many nations would not be paying tribute to other countries in the form of annual interest to a burdensome extent.

Where foreign borrowings can be used for internal development, such as was true in the United States until 1914, the interest that is paid to foreign countries in which securities are floated, either governmental or industrial, is not harmful. On the other hand where such loans are incurred and the proceeds are consumed, if carried too far an element of danger is introduced that is apt to react upon both the borrowing and lending countries.

It is on this account that any scheme such as, for instance, an International Clearing House, which might result in making it easier for nations which are already importing more than they can

afford to increase their imports, would only aggravate the difficulties. It would seem as though an International Clearing House, if ever needed, should be established during times of normal trade, when balances for a time at least would flow back and forth rather than constantly in one direction. It must not be forgotten that, after the contribution of any nation, or nations, to a Clearing House fund was dissipated, if operations continued to have the same trend the countries with preponderant exports would have to advance the funds to carry the trade, exactly as if there were no Clearing House. If on the other hand through the establishment of an International Clearing house it were found possible to create a new form of security backed by many nations, that would be absorbed by the public from savings, it might have some real value, always provided the regulations were such that non-essential importations (meaning a greater amount of essentials than is necessary, as well as strictly non-essential commodities) could not be obtained by countries unable to pay for them.

The necessity of the world at the moment does not lie so much in the creation of new methods of settlement of balances as in the resumption of integrity of purpose on the part of all peoples. Safety in banking, and in fact the life of banking, depends upon a recognition of the rights of property on the part of those who would borrow, and upon such others as the borrowers may themselves have to depend.

If the bankers in the United States refuse to loan to those who would destroy capitalism through repudiation or confiscation, or who are subject to others

who would do so, it is not a threat to endeavor to force belief in capitalism, but merely recognition of the fact that banking cannot be carried on with those who do not accept their obligations to the bankers with the full intention to pay, even as the bankers themselves accept full responsibility for the return of deposits when taking them.

It is the province of the banker to loan against raw materials over a period of manufacture, and it is one of the important and necessary links in the chain of production, but if workmen take over a plant which does not belong to them merely because they have the power of numbers to do so, their very act renders them unfit to ask for credit to enable them to purchase raw material. They could not consistently ask for credit in any event, as their promise to pay could only be given in direct opposition to their professed principles. When men commit sabotage, and do not give a full day's work in return for their wages, they also endanger the credit standing of the concerns for which they work to the full extent of such operations.

The rebuilding of destroyed Europe would have presented no difficult problem whatsoever if all men were honest, but when to the natural frailty of humanity is added the tremendous destruction of moral force, which has affected every country in the world, the problem has been made too difficult to solve, except over a long period, during which millions of unfortunate people have to suffer. Integrity in production would not only have made the extension of credit a simple matter, but it would have resulted in an increased production which would have brought the necessity for credit within such limits that it could easily have

been met from the savings of the people. The currency inflation which has gone on in Europe since the armistice need not have occurred, and the budgets of the nations could have balanced instead of showing deficits.

So great is the power of the underworld force at the moment that we cannot relax our fight against it for one minute, if we would not be overwhelmed. It is not a struggle between capital and labor, as the agitator would have labor believe. Instead it is a struggle between labor and capital on the one hand, and those who would make slaves of the people on the other.

By stealing the wealth of the world, and using it to bind labor through false promises, the Russian propagandists hope to obtain the autocratic power of their desires. Labor and capital must get together to fight this thing, for neither can survive without going through a period of earthly hell, even as has Russia, unless integrity of purpose conquers and destroys the will to confiscate. The union of capital and labor in a fight for honesty and fairness in production, transportation and commerce, would so quickly break the power of those who cry for civil war while pretending to oppose all war that the world would leap forward generations instead of being precipitated backward for centuries.

On the other side of the picture we have the outstanding integrity of the two great nations who only last week, at great sacrifice to themselves, repaid the American people \$500,000,000 which had been advanced to them in the time of their great peril. It is an object lesson for the world that is certain to re-act to the benefit of all mankind. The added prestige which this act will give the peoples of these two great countries among all other nations, coming

as it has at a time when the world is full of thoughts of repudiation, is certain to have a steadying influence on all international intercourse. If any nations have been weak in their thought concerning the question of meeting their foreign obligations when they mature, the payment of the Anglo-French loan is sure to strengthen them, and they will see that it is worth their while making any effort that is necessary in order to do so. Even the Russian people when they come into their own, as they surely will in time, will benefit by it, and will see the value of meeting their foreign obligations, great as they may be.

Today Great Britain is our greatest competitor in the markets of the world, but she is also our greatest customer. She has won her way as a trader in all lands, because of the inherent honesty of her people. We are prone as a nation to criticize Great Britain for doing the things that we would do ourselves, but even so we both have common ideals and a high national sense of integrity, and the world will be better if we pull together.

France at the moment is the world's leader in the fight against the annihilation of the obligations of man to man. Her government, acting in a sense as Trustee for her citizens, is making known to Bolshevik Russia in no uncertain terms that the money which France loaned to Russian industries, Russian railroads and the Russian government to help in the upbuilding of that country must be returned, and that it intends to protect its people, and the principle of the integrity of an obligation, at all costs.

We in America owe much to these two great nations for the staunch protection which they afford their nationals, and can learn much from them.

In Belgium there has been a return to industry which has impressed all those who have had an opportunity to see it develop. It is another evidence of the turn of the current from sabotage to sanity.

Italy at the moment is in the midst of an unfortunate labor complication, but we can look forward hopefully to its proper solution, as its national life in the past has spelled industry.

The neutral nations of Europe, except Spain, have maintained a high standard of industrial integrity, in view of the terrible forces for evil with which they have been menaced, and that their peoples are all nationally honest seems beyond question.

The outcome of the industrial difficulties in Spain is harder to determine, although when the backing of Soviet Russia has been taken from those who would destroy Spanish institutions, the situation may look different.

The Russian example is seemingly serving a real purpose in Germany, in that more and more of its population are beginning to see that disaster would come to it as a nation if any such program were followed.

The new countries between Germany and Austria and Russia have conducted themselves wonderfully well under the circumstances, and once freed from the Russian menace some worthy nations may develop.

The great needs of the hour for the complete restoration of Europe are three—the annihilation of Bolshevism in every country, the fixation of the German indemnity to the Allies, and the reconstruction of devastated districts.

With Bolshevism destroyed production will increase, currency expansion will decrease, governmental budgets can be made

to balance, and ultimately taxation can be reduced.

With the German indemnity fixed, that nation can get down to work without fear that successful operation may increase her liability, and her burden will begin to grow less. At the same time the payments that she must make will serve to better the conditions in the countries of the European Allies. Such help as Germany may fairly ask from the rest of the world can then be extended without fear.

With the reconstruction of the devastated districts productive work can be given to many men who are at present drawing funds from governments for unnecessary purposes. The production from the reconstructed mills will also help to relieve the pressure of want to a large degree.

With these three problems solved, all the wars now going on in Europe, and the tremendous tax that is being put upon the people for military purposes, including the loss of the use of the time of men, would pass.

The great part of the United States at the moment lies in using every force possible to uphold the American workmen who have successfully withstood the fallacious arguments of the false agitator, and help them educate the foreign workers in our midst who have not been so fortunate. We must also further trade with all of the nations of the world in every safe and judicious manner that opens up to us.

Many of the bankers of our country have been given new powers, under which they are able to take a part in our foreign trade. Their co-operation is most desirable, but the attention of every banker in the country is called to the necessity

of using these new powers for foreign trade intelligently and honorably if we would not bring criticism upon ourselves. It must be realized that irrevocable Letters of Credit when once issued cannot be broken, regardless of falling prices or difficulties which may come to those for whom the Letters have been issued, except in special cases where there is positive breach of the contract of the Letter of Credit itself. Refusal of drafts drawn against Letters of Credit on mere technicalities, in order to get out of bad deals, should never be allowed. The terms and conditions under which Commercial Letters of Credit can safely be issued should be so well known to those carrying on such operations that irrevocable credits are never issued against loose contracts. With prices of many commodities falling as they have been recently, and are certain to do in the future, this is particularly important.

In some foreign countries it has unfortunately been the habit of certain classes of exporters and importers to repudiate contracts when prices have gone against them. In the case of exports shipments have not been made when prices were rising within time limits in order to allow Letters of Credit to lapse, and when prices are falling unfilled contracts which have expired have been filled and manipulation of documents undertaken with the intent to bring the shipments inside of agreements. When Commercial Letters of Credit are issued by American banks for imports, the contract between the importer and the exporter cannot properly be brought in by the American bank for the purpose of revoking a confirmed credit which has been exercised in exact accordance with its

terms. In case of breach of contract the importer may have cause of action against the exporter, but a banker's confirmed credit cannot be violated if its terms have been fulfilled.

One reason why London has held its position as the central money market of the world has been due to the fact that British bankers have never repudiated their credit contracts. This is really a more serious matter than is generally understood, for if foreign bankers find that they cannot depend upon American bankers accepting drafts drawn under Commercial Letters of Credit issued by them, it will not only prevent them from buying drafts drawn upon banks where acceptance has been refused, but it will cause them to discriminate against all dollar acceptances, which would be a most serious setback to the growth of American banking.

Our relations with South America and the Far East have been greatly strengthened since the war. It is, however, becoming very difficult for us to finance such operations because having debit balances which we cannot settle with European credits necessitates gold shipments, and at a time when our reserve requirements are almost at their peak. Exporters and importers have been somewhat concerned about the development of this situation, but it is impossible to prevent while high prices exhaust our banking capital and at the same time we are exporting to Europe against a balance in credits in large amounts. It is just as important, therefore, for our trade with South America and the Orient that we reach a position where current trade and invisible balances with Europe more nearly offset each other, as it is to our

money market, for they are of necessity closely bound together. Our whole world relationship demands in no uncertain terms that orderly production be resumed in every country.

We are apt to be frightened by the vastness of the figures which represent governmental indebtedness today, and talk of the bankruptcy of nations is often heard in high places. While there is no question as to the seriousness of the situation, yet it must not be forgotten that there is a real relationship between the power to destroy and the power to create on the part of human beings. As the world has progressed the ability of man to produce has increased, and in each period of war the power to destroy has been in proportion to it.

Eliminating the question of waste which follows all governmental operations, the whole indebtedness of all of the nations taking part in the war up to the time of the armistice, and in fulfilling contracts which had been undertaken, has gone to pay for production accomplished during the four years of the war and in payment for the time of the men engaged in it. If it had not been for the ability of the people to produce at high speed, it would have been impossible for such indebtedness to have been created. To the increased indebtedness of nations since the war started must be added the destruction of property in the devastated regions and the loss of human life. The rebuilding of the devastated regions is only a matter of a few years at most with present powers to produce. There is, of course, no question but that in time of peace with the war pressure removed it would take more than four years to produce the same quantity of commodities that were created during the war

period. On the other hand, many of the machines and methods invented during the war were not available for use until the war had nearly run its course, and they will all add to the ability of the world to produce from now on.

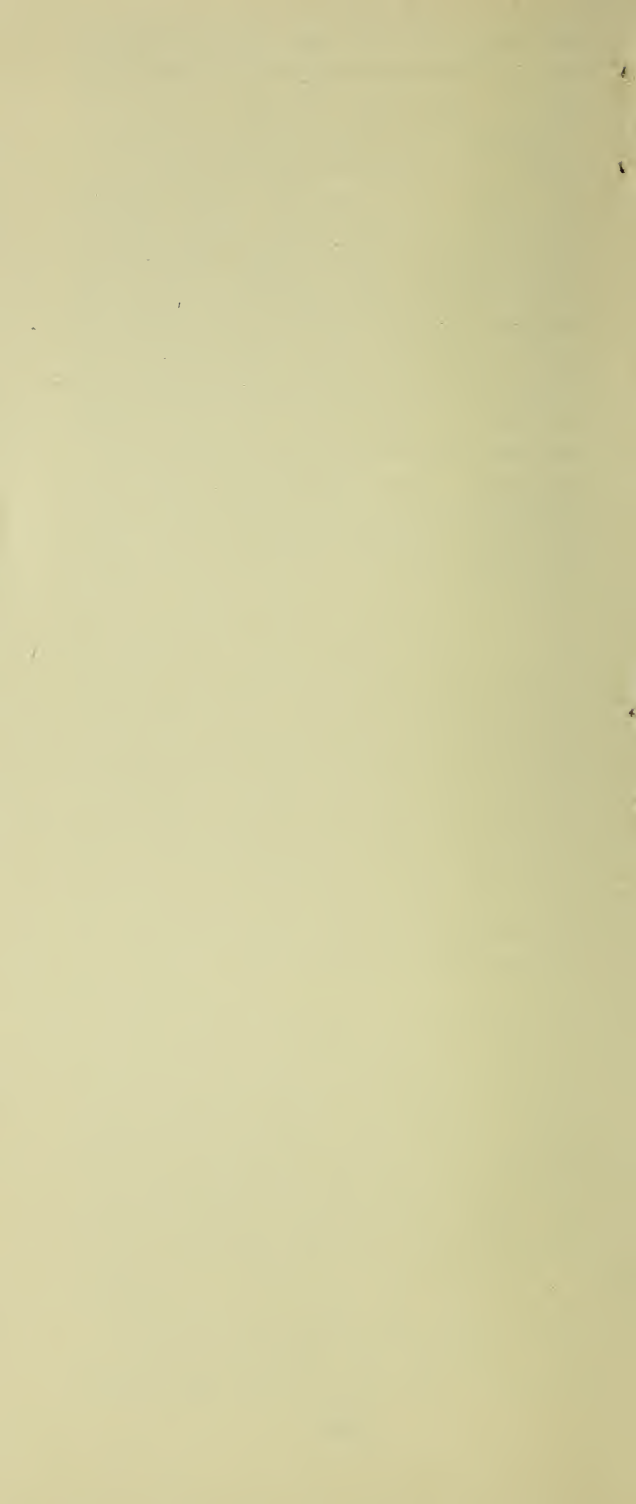
Again, it is not necessary to reproduce the munitions and engines of war which cost such tremendous sums, but instead the indebtedness created can be paid off from the proceeds of useful production, which immediately lends itself to further construction.

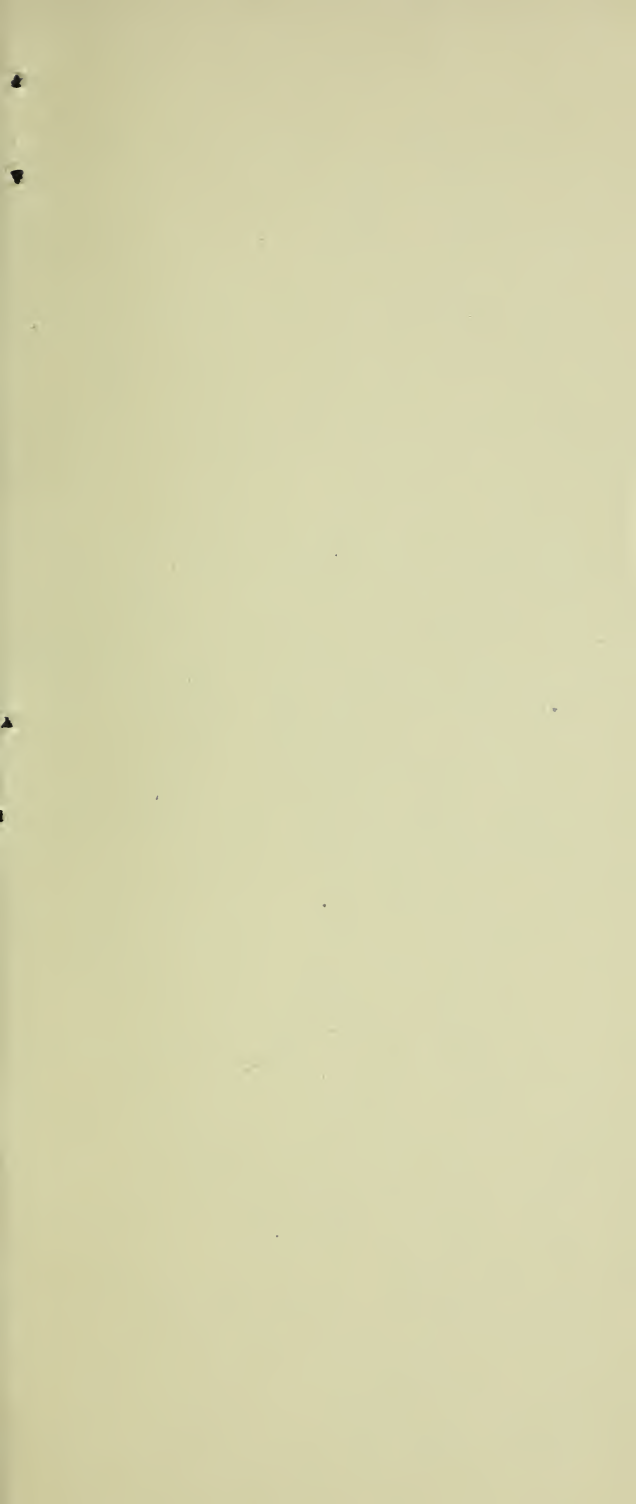
The material loss to the world, therefore, is not of such moment as it would seem, even though governmental indebtedness was incurred during a time of a high average of prices; consequently if no destruction of human life had taken place, and no destruction of the moral forces of the world, we would need have little concern about the future. But with millions of the best and healthiest minds of the world gone forever, and great numbers of misguided individuals endeavoring to stir up civil wars, the real menace for the future would seem to lie principally in the difficulty of the restoration of moral force. It is on this account that it seems essential that we give more of our attention to this phase of the matter.

Upon our success in re-establishing integrity of purpose depends our ability to help in the restoration of a proper financial relationship between the nations, without which an orderly world is inconceivable. To accomplish this will require the exercise of the full power of our national ideals. We must co-operate with the strong to help the weak.

Our intercourse with other peoples must be based on fairness and goodwill. Our minds must be free from petty jealousies

and filled with that hope which conquers despair. The opportunity of all history has opened before us. Can the country of Washington and Lincoln fail in such a crisis? It is unbelievable. Mistakes we will make, but if we stand firmly against the forces for evil which would destroy our institutions, our example will go far toward helping the stricken nations of Europe to recover their morale. With all peoples united in their determination to bring order out of the present chaos, we need have no fear of the vast indebtedness and the extended currency inflation which exist today. They will disappear before the combined energy of the world, if it is exercised with integrity of purpose, like mists before the wind.











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